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SUBJECT: UKRAINE: PERSONALITIES, NOT PROGRAMS,
DIFFERENTIATE THREE MAIN PARTIES

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Classified By: Ambassador for reasons 1.4(b,d).

¶1. (C) Summary. The conscious decision of the three main parties in Ukraine to focus their campaigns on the same themes -- populist social and economic promises and anti-corruption slogans -- means that the vote will come down once again to personalities and perceived leadership types. The official platforms for Party of Regions, BYuT, and Our Ukraine-People's Self Defense (OU-PSD) all promise huge cash awards and subsidies to families with many children, increases in salaries and pensions, better access to healthcare, a renewed fight against corruption, and the need for political and judicial reform, a nod to the disgust with which many Ukrainians view this spring's political deadlock.

¶2. (C) Summary continued. The few issues where the platforms do differ, such as foreign policy, NATO and the status of the Russian language, have all taken a back-seat to economic well-being, but could become important, as they were in 2006, despite efforts by all three major parties to downplay them. Regions includes planks in its platform promoting non-bloc status for Ukraine, balanced relations between West and East, and official status for the Russian language. OU-PSD talks about Ukraine as a European state in speeches, but avoids including it in the written platform other than to advocate for WTO membership and a free trade agreement with the EU. OU-PSD is also clear that they see Ukrainian as the only official state language. BYuT's foreign policy goals are not part of the "Ukrainian Breakthrough" program, but they are described in a separate website, where they include moving towards EU membership while maintaining good ties to Russia, NATO membership only after a referendum, and support for WTO accession.

¶3. (C) Comment. In our view, voters will be more inclined to select parties based on leaders and leadership skills because there are not enough substantive differences to help voters choose. This latter trend is already visible; Regions plays up Yanukovych as a strong leader who can promise stability and order, while Tymoshenko, as usual, is the only person shown on BYuT billboards and signs. OU-PSD has emphasized Yushchenko's role as its leader, a change from 2006 when Yushchenko kept his distance from OU and the actual campaign. The wild card is the approach to the issues of the fringe parties on both the left and the right. If they decide to focus on the few differentiated issues, such as foreign and language policy, then these issues may become the center of the campaign and force all three major parties to address them. End Summary and Content.

The Platforms

14. (C) With names like "Stability and Wellbeing" (Regions), "The Ukrainian Breakthrough" (BYuT), and "For the People, not the Politicians" (OU-PSD), the three major parties are promising a broad array of social and economic improvements, and judicial and political reform, relegating cultural values and foreign orientation to a secondary status. Respected newspaper Dzerkalo Tyzhnya (DT) expressed concern that because all the platforms are so broad -- to try to woo as many voters as possible -- the possibility of successfully implementing the programs is much lower. In DT's assessment, based on platforms alone, even the right-center parties sound leftist.

5.(C) Embassy Note. Following DT's lead, we have tried to focus this assessment on parties' official written platforms.

However, it is important to acknowledge that the parties are also raising other issues not included in their platforms, such as the debate over what to do about the price of bread, a staple of their campaign stump speeches. Moreover, we believe that the campaign platforms are not necessarily intended to correspond to what the parties may actually put forward as policies after the elections, but rather are a reflection of what the major parties think their voters want to hear. Although, in some instances, these promises made for votes now may constrain how political leaders approach difficult issues in the future. End Note.

Populist Social Policies Dominate

16. (SBU) All three blocs promise significant improvements in voters' quality of life, offering incentives, subsidies, and stipends with abandon at the expense of the 2008 budget. OU-PSD envisions allocating three-quarters of the increase in budget revenues from 2006 to 2007 to social policies, like raising salaries, scholarships, and maternity allowances. Regions advocates spending two-thirds of the same budget

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revenues on social policies. BYuT proposes raising pensions to 80-90 percent of an average salary (70 percent is considered high). Family subsidies seem to be one of the most popular campaign topics. All three parties propose maternity allowances in the range of 10,000-50,000 UAH (\$2,000-\$10,000), with increasing sums for each additional child, as well as generous subsidies for families with children.

17. (SBU) OU-PSD and Regions call for specific wage and pension increases, although BYuT proposes better economic situations for all citizens. OU-PSD wants 20 percent monthly bonuses for teachers, doctors, and welfare workers in rural areas. All three parties pay more attention to pensioners -- who are more likely to vote than the rest of the population -- with Regions proposing personal accumulative bank accounts and removing obstacles to private pension insurance. BYuT proposes unified standards in calculating pensions and immediately increasing pensions up to 80-90 percent of average wages. OU-PSD suggests abolishing pensions for members of parliament and government, and supports a general 35 percent pension increase.

18. (SBU) The three parties also address the housing shortage. Regions advocates creating a land auction, investing proceeds from housing construction back into building more housing, and giving apartments to state employees as a reward for long-term service. They also say the government should subsidize free apartments for young families and new university graduates employed at major industrial enterprises. BYuT proposes a land mortgage system, lowering credit interest to European levels, offering state funds and tax incentives for construction of low-income housing, providing long-term credits to young families, and giving government-funded housing to military and law enforcement officials. OU-PSD wants government housing for all military

servicemen by 2010, more land for mass residential construction, and priority housing for families with five or more children or who have triplets.

¶9. (SBU) The promise of affordable healthcare is also a major topic for all parties. Regions proposes free medical care for low-income people and new financing to allow hospitals to upgrade medical equipment in the next two years. BYuT wants to provide low-cost medicines to the poor, increase access to healthcare for the rural population, and establish national medical centers. OU-PSD promotes affordable medicines, compulsory medical insurance, assignment of family doctors to all families within the next five years, government-provided vehicles to rural medical centers, and is supporting a "children's hospital of the future".

¶10. (SBU) With regard to education, Regions proposes at least half of university slots be government-funded, gradually increasing stipends for university students, and providing guaranteed first jobs for university graduates. BYuT wants to give greater autonomy to institutions of higher education, high-speed internet access for universities, student stipends raised to subsistence minimum, and tax exemptions for students who work while studying. OU-PSD advocates compulsory university entrance exams to eliminate bribe-paying to school officials and preferential acceptance for students from families with five or more children. On the primary and secondary level, OU-PSD proposes internet connections for all rural schools by 2010, the development of new preschools to teach Ukrainian language and traditions, and providing buses for primary and secondary school students who have to travel more than 3 km to school.

Economic Changes Also Emphasized

¶11. (C) The three parties center their economic proposals on improving Ukraine's tax system, opening a land market to help farmers, and decreasing energy dependence on Russia through diversification and technological breakthroughs. There are few new ideas in the mix.

¶12. (C) With both Minister of Finance Azarov and OU MP Katerynychuk touting new tax codes, tax policy has become an unlikely issue in an election season filled with populist slogans. Azarov's tax code reduces corporate taxes, provides incentives for energy conservation, and reduces Value Added Tax (VAT) from 20 to 18 percent; Regions has also proposed five-year tax breaks for small and family-owned businesses. OU-PSD put forward the Katerynychuk tax code, which is supposed to simplify the tax system -- in part by reducing tax benefits and special economic zones for big business, reducing VAT to 17 percent, ending VAT reimbursement schemes, liquidating the tax police, and introducing a wealth/luxury

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tax that will go to local budgets. BYuT wants to abolish the VAT entirely, introduce sales and luxury taxes, and minimize tax privileges. (Comment. VAT is a common European practice -- given Ukraine's European aspirations, the efficiency and fairness of an effective VAT regime and the importance of VAT for the budget, it is surely a better policy to improve Ukraine's flawed VAT system rather than eliminate it entirely. End comment.)

¶13. (C) In agriculture, Regions proposes creating a land market, establishing a minimum rent for land, increasing investment in rural infrastructure, and creating a national grain exchange. BYuT wants to create a number of agricultural institutions -- an agrarian fund, agrarian stock exchange, insurance fund, land bank -- and to provide subsidies to farmers to improve financing for environmentally safe and healthy agricultural production. OU-PSD argues for giving 20,000 UAH (\$4,000) in start-up money and free housing to recent graduates who agree to work in rural areas for three or more years. (Note. Despite the appearance of a land

market in their platforms, both Regions and BYuT voted to override the presidential veto of the moratorium on land sales in January 2007. End note.)

¶14. (SBU) Energy independence is actually one of the only times that Russia comes up in all three party programs. Both Regions and OU-PSD suggest implementing energy-saving technologies, using alternative sources of energy, and diversifying fuel imports. BYuT advocates reducing dependence on imported natural gas, integrating with the EU energy market, creating a complete nuclear fuel cycle in Ukraine, completing the Odesa-Brody-Gdansk pipeline, and constructing a gas pipeline from the Caspian. Although not part of its official platform, Tymoshenko has been an outspoken advocate of removing shady middleman RosUkrEnergo from the natural gas business.

¶15. (C) Comment. Dzerkalo Tyzhnya reported that an economic program drafted by McKinsey and Company commissioned by Regions powerbroker Akhmetov could eventually replace Regions's economic platform. According to the newspaper, people who have read the plan say it includes a lot of unpopular measures, but that it has been admired by Yanukovych and praised by Yushchenko. However both Akhmetov and his right-hand man Kolesnikov told the Ambassador that they were waiting to unveil the plan until after the elections so that it would not get caught up in campaign rhetoric. We have not seen the plan, but expect it to be more economically progressive than Regions's, or any of the others being promoted by the big three. End comment.

Political/Judicial Reform Gets a Mention

¶16. (SBU) All three parties address Ukraine's endemic corruption and talk about the need to fight it. They also all push for further political and/or constitutional reform, including creating an independent judiciary, although these plans are for the most part less detailed than their economic and social counterparts. Regions advocates moving to a full parliamentary system and increasing autonomy of local governments. OU-PSD wants to eliminate immunity and privileges for parliamentary deputies, establish an anti-corruption bureau, and enforce income declarations for top officials. (Note. Since OU-PSD made eliminating parliamentary immunity the cornerstone of its campaign, Regions has jumped on the bandwagon -- the issue is now featured in some Regions tv ads and was the driving force behind its agreement to take part in a September 4 extraordinary Rada session called by Socialist Speaker Moroz. End note.) BYuT's platform lays out the idea of holding a referendum now on the concepts of a new constitution, followed by a drafting commission, and a second referendum. BYuT also advocates creating a special commission to find ways to remove loopholes from existing legislation that allow corruption, giving the Rada opposition control of the Chamber of Accounts (like the USG's GAO) and increasing penalties for state official caught in corrupt acts.

Language, Culture, and Foreign Policy

¶17. (C) Only on language/cultural policy and foreign policy do the parties show sharper differences. Regions is promoting a "two languages, one people" slogan tied to their proposal to make Russian a second official language. In contrast, the OU-PSD platform is clear that strengthening the Ukrainian language is part of protecting national identity, although they promise to defend the right of minorities to speak other languages. OU-PSD also discusses other ways to

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increase Ukrainian culture, including funding museums, theaters, and book stores, and working for a unified orthodox church. BYuT has emphasized its Ukrainian roots -- at its party congress, at campaign stops -- but it does not directly

address issues of language and culture in its Ukrainian Breakthrough program.

¶18. (SBU) Only Regions has an entire section on its foreign policy in its official platform. The key aspects are: promoting Ukraine's non-bloc status, that Ukrainian membership in NATO can only be decided by a referendum, that EU and WTO membership are not an end in themselves but a way to improve the welfare of ordinary Ukrainian citizens, a balanced foreign policy where Russia and West are equally important, and the importance of the Single Economic Space. In contrast, OU-PSD only addresses foreign policies that have an economic focus -- WTO accession, a free trade agreement with EU, and new agreements with key countries on social and labor rights of Ukrainian workers abroad. BYuT does not address foreign policy at all in its official platform, the Ukrainian Breakthrough, but does have a link to its key external goals. These include EU membership as a strategic priority and WTO membership. They advocate government-led education campaign for NATO, but membership only after a referendum. BYuT calls Russia a strategic partner with which Ukraine needs good relations, but they add that "no country has the right to veto Ukraine's European future." They also mention that the Black Sea Fleet's status is temporary.

¶19. (U) Visit Embassy Kyiv's classified website:
www.state.sgov.gov/p/eur/kiev.
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